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

9707/13 Paper 1 (Short Answer/Essay), maximum raw mark 40

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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.

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Section A

1 (a) Process innovation is defined as the use of a new improved production method or service delivery method, such as robots in manufacturing, computer tracking of inventory, internet tracking of parcels. (Examples not required for a full definition.)

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

(b) Answers may well define flow production, the production of items in a continually moving process from stage to stage as soon as one stage is completed giving benefits of production of large quantities of output in a relatively short time, ideal for production of standardised items (cans of diet coke), labour costs can be relatively low because of mechanisation, planning of inputs to meet a constant output rate minimises stock holding (use JIT), leads to quality performance through quality checks at specific stages of the flow production process.

Partial explanation of ONE benefit or states TWO. [1]
Sound explanation of ONE benefit or partial explanation of TWO. [2]
Sound explanation of TWO benefits. [3]

2 (a) A contract of employment is a legal document which sets out the terms and conditions of a job. (such as responsibility, hours of work, pay rates, holidays, redundancy terms, it is legally binding on the employer and employee.) Something like the opening statement here is sufficient for TWO marks.

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

(b) Redundancy is situation where a job is no longer required so the employee doing the job becomes surplus to requirements through no fault of the worker, due perhaps to a fall in demand for a product/service or a change in technology or cost cutting, might be voluntary or compulsory. Dismissal is a sacking due to incompetence or breach of disciplinary procedures according to the procedures of a business. Companies need to be aware of unfair dismissal and ensure that there is no legal redress for a worker due to faulty procedures. Training and support may well be given before dismissal decision is taken.

Partial explanation of either term. [1]
Sound explanation of ONE term. [2]
Sound explanation of BOTH terms. [3]

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3 Explanations for cash flow problems might include the following: Lack of planning – cash flow forecasts help to identify and predict future potential or real cash flow problems for a business and facilitate appropriate actions. Poor credit control may be the cause, so inadequate checks on customer accounts may lead to debtors not being chased for slow payment and bad debts may not be identified. Poor credit management may allow customers too long to pay bills. Business may expand too quickly – overtrading leading to serious cash flow problems even for 'successful' businesses. Unexpected events such as competitors lowering prices may create cash flow problems. The size of a business (small) might also be a factor.

Limited and general reference to cash flow concept. [1]
Clear understanding of cash flow problems but with perhaps only one or two examples given with quite limited explanation. [2–3]
An explanation of a number of relevant reasons (at least two) which are well developed and specifically linked to cash flow problems. [4–5]

4 (a) A definition might include – a brief outline of the general purpose of a business – a statement of business objectives and values – a statement to provide direction for a business and its stakeholders and to brand a business in the eyes of the external environment.

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

(b) Corporate objectives are aligned to the mission statement but expressed in terms that provide a much clearer guide for management and worker action. They focus on specific outcomes and targets – e.g. profit maximisation, growth, market share, survival. Thus benefits may include: give a specific context for operational decisions, turn mission statements into achievable and measurable objectives, give detailed expression to the mission statement of a business, give a clear guide for management activity and strategy, give direction for the setting of departmental/business unit targets.

Partial explanation of ONE benefit or states TWO. [1]
Sound explanation of ONE benefit or partial explanation of TWO. [2]
Sound explanation of TWO benefits. [3]

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Section B

5 (a) Family controlled businesses are said to have strengths and weaknesses including – Strengths: flexible, entrepreneurial, innovative, multi-tasking, quick decision-making, long time horizons, aim is to pass on wealth, high level of trust and commitment, loyalty, shared values, team spirit, high degree of internal control, good lines of communication etc. Weaknesses: lack of management experience/expertise, inflexible, role confusion, nepotism, autocratic, lack of objectivity, family and business issues mixed up, family rivalries, innovation stifled, lots of conflict etc…Obverse of strengths!

Analysis of strengths and weaknesses of family businesses. [7–8]
Good explanation of strengths and weaknesses of family businesses. [5–6]
Limited explanation of strengths and weaknesses of family businesses. [3–4]
Little understanding of features of family businesses. [1–2]

(b) Discussion of expansion through internal growth (rather than external growth actions such as mergers, vertical and horizontal integration) might include: deliberate decision not to pursue external growth – avoid risks of external growth such as the merging of additional companies, culture and work force resistance – retain full management control through organic growth – retain core values – decide to use own resources and grow incrementally, may be at a stage of development where external growth is not possible.
Internal growth might include: open more outlets/divisions/branches/ in other towns and cities – devolve and develop the existing business – grow the customer base – create new products – increase operational efficiency.

Evaluative discussion of expansion through internal growth. [11–12]
Analysis of why expansion through internal growth is a business option. [8–10]
Shows understanding of expansion through internal growth. [3–7]
Limited discussion of growth and/or internal growth. [1–2]

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6 This question is not just about sources of finance for the building of a new factory….it is about the FACTORS that might influence the decision to make the choice. One might need to make some assumptions initially to identify some factors – what is the level of retained profit?
- what are the resources of existing shareholders in this private limited company?
- what is the existing debt situation of the company?
- are the existing directors willing to consider floating the company on the stock exchange?

Answers may well discuss the limitations and opportunities of a private limited company in identifying factors and source options and apply the identified factors to options such as: float the company into a full stock exchange listing, or take out a substantial loan, or use retained profits and raise finance from existing shareholders, or seek out venture capital. Each of these options could be examined in terms of factors influencing or factors arising from a source decision. Some candidates might speculate on the size of the sum needed to build a new factory.

Evaluative comment on the likely influencing factors influencing the choice (perhaps making a judgement on the most important factor(s)). [17–20]
Analysis of factors influencing choice of financial sources. [14–16]
Good understanding of the factors influencing the choice of financial sources. [11–13]
Some understanding of the factors influencing the choice of financial sources but a probable emphasis on sources rather than factors. [5–10]
Very limited understanding of factors influencing the choice of financial sources/ sources of finance. [0–4]

7 (a) Customers are vital to the survival of commercial businesses-- and customer/client relationships are recognised to be significant for retail businesses where customers interact with the business on a very regular basis and in a very competitive environment.…some businesses adopt a producer focus rather than a customer focus – important that customer/client needs and expectations are identified and satisfied---there is likely an impact on the bottom line in terms of reputation and customer loyalty…a company obsessed with customer concerns likely to stand out – develops a competitive edge – a USP ..the distinctive customer culture spills over into the customer experience and contributes to business success.

Analysis of the importance of customer relations for retail businesses with some examples of potential impact on business performance. [7–8]
Good explanation of why customer relations is important for retail businesses. [5–6]
Limited explanation of customer relations activities and possibilities. [3–4]
Little understanding of customer relations activities. [1–2]

(b) Some candidates may contextualise the answer, focussing on the word "improve", and consider past deficiencies e.g. poor service, poor quality. The question requires an emphasis on HOW to improve and so specific measures may be suggested….these could include: better communication with customers, seek customer feedback, set up focus groups, interview customers, or more generally identify marketing, promotional, advertising strategies to better connect with customers. Another approach would be to focus on staff in a retail store to improve customer relations… build a customer focussed culture, training, recruitment and

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selection focus on customer friendly staff. Suggestions may be made with reference to the importance of customer relations discussed in part (a).

Some evaluative comment on practical proposals to improve customer relations in a retail business. [11–12]
Analysis of a range of practical proposals to improve customer relations in a retail business. [8–10]
Good understanding of how customer relations might be improved in a business. [3–7]
Limited understanding of customer relations issues. [1–2]

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