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

9707/22 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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UNIVERSITY of CAMBRIDGE
International Examinations

1 Bright Air Conditioning (BAC)

(a) Explain the following terms:

(i) performance related pay (line 26) [3]

Content: When a bonus or salary increase is paid to a member of staff who has met or exceeded certain pre-set performance criteria.

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

(ii) empowerment (line 26). [3]

Content: Process of transferring responsibility to take decisions to workers. It is an extended form of delegation. Mention of authority/accountability acceptable.

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

(b) Explain how technology could be used by BAC to design and manufacture the new Ecocon. [6]

CAD: Because the units are portable and will be used inside houses, offices etc. they must not be ugly, so CAD might help to design a good looking unit. Also units must be small therefore design problems to solve.

CAM: Could reduce cost, increase reliability.

Other technologies: Any Reasonable Answer (ARA)

Knowledge and Application	Analysis
Level 2: Shows understanding of relevant technology in context of the business. (3–4 marks)	
Level 1: Shows understanding of design and/or manufacturing technology. (1–2 marks)	**Level 1**: Good explanation/analysis of how technology could be used. (1–2 marks)

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(c) Analyse the impact on BAC's profitability and liquidity ratios if the new Ecocon units are introduced. Use the information in Table 1 and appropriate accounting ratios in your answer. [8]

Net profit up more than sales revenue.
NPM from 10% to 20%
Large increase in CA, doubling of stock. Little change in other CA.
CL only up a small amount.
Current ratio from 1.5 to 2. Wouldn't want to go much further.
ATR from 1 to 1.

Improvements in profits will be beneficial.
Liquidity up but this is entirely due to stocks. Is it reasonable to increase stocks when moving from business market to retail market?

ARA.

Knowledge and Application	Analysis
Level 2: Shows understanding of ratios/accounting data in context of the business. (3–4 marks)	**Level 2**: Good analysis in context. (3–4 marks)
Level 1: Shows understanding of ratios/accounting data. (1–2 marks)	**Level 1**: Limited analysis relevant to profitability and/or liquidity. (1–2 marks)

(d) Recommend changes to BAC's marketing mix if BAC decides to introduce Ecocon. Justify your recommendations. [10]

Content:

Was a trade business arrangement now mainly retail.
Product will need to change to be attractive to consumers.
Price may well be higher than trade price.
Promotion will need to change to reach ordinary members of public.
Place may change – builders usually buy from specialist and trade shops, households buy from retailers.
ARA.

Evaluation likely to come from justified recommendation.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of marketing mix in context of the business. (3–4 marks)	**Level 2**: Evaluation of changes in context. (3–6 marks)
Level 1: Shows knowledge of marketing mix. (1–2 marks)	**Level 1**: Limited analysis of changes. (1–2 marks)

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2 Largetown Football Club (LFC)

(a) Explain the following terms:

(i) profits (line 2) [3]

Difference between revenue and costs. Belongs to owners (e.g. shareholders). Can be net, gross etc. usually the bigger the better. Business objective.

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

(ii) above the line promotion (line 8). [3]

Content: Paid for to a third party (in contrast with below-the-line), e.g. advertisements on TV, newspapers etc. May be more difficult to target.

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

(b) (i) Assume LFC's ticket revenue in 2011 is $20m and total ticket revenue in LFC's country is $80m. Calculate LFC's market share measured by ticket revenue (X in Table 2). [2]

20/80 × 100 = 25%

Correct answer (2 marks)
Attempt (1 mark)

(ii) Analyse BCU's claim to be the country's largest football club. Use the information in Table 2 in your answer. [6]

Largest: market share, cups, turnover, attendance.
Smallest: employees, assets, market share measured by revenue.

What about other clubs? Which is important? Maybe it should be profit? If it's a club perhaps attendance is the most important?

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

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(c) Briefly analyse the advantages and disadvantages of each of the ways of increasing revenue (line 6-9). [6]

Ticket prices: already seem high, what would fans think? Falling attendances?

Above the line promotion: Costs? Benefits? Would it work? Where? How?

ARA.

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

(d) Evaluate the importance of leadership to LFC's success. [10]

Off the field: evidence of poor leadership. Backroom staff important for success. Evidence of poor motivation which can be influenced by leadership.

On the field: team game therefore leadership important – manager and team. Results seem to reflect leadership.

ARA.

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

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