UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

BUSINESS STUDIES **9707/23**

Paper 2 Data Response **May/June 2012**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

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READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **3** printed pages and **1** blank page.

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1 Turboprop (TP)

TP manufactures large industrial electricity generators. TP has good relationships with its customers. Marketing of existing products is done at trade exhibitions and through contacts made by sales staff.

The Research and Development team at TP have developed a small generator, known as Ecogen, suitable for use in houses. Ecogens will generate electricity from wind power for use in houses. The generators have to be:

- small
- simple to install
- cheap and easy to operate
- attractive to look at.

Until now TP's customers have all been businesses, so TP has no experience of the retail market. Ecogen will be sold directly to final consumers so TP will have to promote Ecogen differently.

Nigel, TP's Finance Director, has been looking at the impact on TP's accounts of the introduction of Ecogen. He has produced the forecasts in Table 1.

Table 1: Forecast financial impact of Ecogen ($m)

Current Assets			Current Liabilities		
	Before Ecogen	After Ecogen		Before Ecogen	After Ecogen
Inventories	20	50	Overdraft	0	50
Accounts receivable	30	50	Accounts payable	20	20
Cash	10	0	Other	10	5

Table 2: Impact on financial ratios

	Before Ecogen	After Ecogen
Current ratio	2	?
Acid test ratio	1.3̇	?

TP's managers use autocratic leadership. In addition to wages, TP offers perks (fringe benefits) to its workers.

(a) Explain the following terms:

(i) autocratic leadership (line 27) [3]

(ii) perks (fringe benefits) (lines 27–28). [3]

(b) Analyse the impact on TP's liquidity if Ecogen is introduced. Use the information in Tables 1 and 2 and appropriate accounting ratios in your answer. [8]

(c) Explain how CAD (Computer Aided Design) could be used by TP to design Ecogen. [6]

(d) Discuss how TP's approach to promotion should change if the company decides to start marketing Ecogen. [10]

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2 Deucetown Sports Club (DSC)

DSC was formed 100 years ago to encourage people to play tennis as a sport. DSC is a private limited company. DSC has excellent tennis facilities used mainly by local people. DSC employs a club secretary and staff who look after the grounds, but most of the work is done by club members and volunteers who give up their own time to help out.

Demand for the club's facilities has grown over recent years following successful below the line promotion. The Chairman, Imran, plans special celebrations for later this year. There will be a tennis event in which famous people will compete against club members.

To set up and run the tennis event additional costs will include:

- the hire of refreshment tents
- the hire of caterers to provide food
- extra security measures
- improving the appearance of the grounds, buildings and tennis courts
- providing car parking
- employing extra staff.

Organising the event will need effective leadership skills.

DSC has very limited finances available for the tennis event. Fund raising will be needed. Ideas include sponsorship and selling advertising space.

All costs of the event will need to be paid in advance. The plan is to sell tickets on the day of the event. Imran thought it would be a good idea if sponsors presented their money at the ceremony at the end of the tennis event.

Table 3: Forecast cash flows for DSC from the planned tennis event ($000)

	Month 1	Month 2	Month 3	Month 4 (event held)
Opening balance	0	–30	–115	–165
Cash inflows from tickets				100
Cash inflow from sponsorship and television				100
Improvement expenditure	20	70	30	
Payments for services	5	10	15	20
Labour costs	5	5	5	10
Closing balance	–30	–115	–165	X

(a) Explain the following terms:

(i) demand (line 5) [3]

(ii) below the line promotion (lines 5–6). [3]

(b) **(i)** Calculate the value of X in Table 3. [2]

(ii) Explain **two** ways of improving the cash flow shown in Table 3. [4]

(c) Analyse the possible effects of the planned tennis event on **two** of DSC's stakeholders. [8]

(d) Discuss the importance of good leadership at DSC for the success of the planned event. [10]

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