CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2013 series

9707 BUSINESS STUDIES

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

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1 (a) Added value is defined as 'the difference between the cost of purchasing raw materials and the price the finished goods are sold for'.

A definition that indicates limited/partial understanding. [1]
A definition that indicates full understanding. [2]

(b) Operational decisions that might add value to a product could include:

– Product design – a distinctive offer to consumers.
– Efficiency of production process (e.g. reduce waste, cut costs).
– Focus on quality standard attractive to consumers.
– Efficient stock ordering and management systems.
– Deciding on suitable production methods.

Partial explanation of **one** way or **two** ways simply stated. [1]
Sound explanation of **one** way or partial explanation of **two** ways. [2]
Sound explanation of **two** ways. [3]

[The answer must relate to production decisions/methods – do not, for example, accept marketing methods/decisions]

2 (a) A 'mission statement' is defined as a statement of what a business stands for – its core purpose and focus. The aims of a mission statement include:

– Give/state the central purpose of a business in a single statement.
– To motivate employees.
– Stimulate interest by external interested parties.
– A context for a corporate culture.
– Provides guiding principles for business activity.

- **One** relevant aim stated. [1]
- **Two** relevant aims stated. [2]

(b) Communication options might include:

– Publish in published company accounts and in communications to shareholders.
– Place in business and strategic business plans.
– Publish in company websites.
– Use internal newsletters and magazines.
– Use advertising and marketing literature.
– Staff training/appraisal.

- Limited reference to communication and mission statements. [1]
- Sound but limited explanation of communication options. [2]
- Sound and detailed explanation of communication options. [3]

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3 The advantages of using 'sampling' in market research are suggested as follows:
(A sample is a part of a whole to show what the rest is like)

- Saves cost – less expensive to study a sample rather than the total population.
- Saves time – less time needed to study a sample.
- Can be more accurate when conducted by skilled and qualified interviewers and conducted with care.
- Can provide focused detailed data.
- Appropriate selection of sample methods can remove bias and achieve maximum precision.

Some candidates may well indicate that advantages of sampling may well depend on the appropriate choice of sample type and the nature of the population being researched.

Limited understanding of sampling. [1]
Some understanding of advantages of sampling. [2–3]
Sound explanation of advantages of sampling including examples of appropriate sample populations/methods. [4–5]

4 **(a)** A 'bank overdraft' is an arrangement by a bank to allow a business to borrow up to an agreed limit as and when it is required.

A definition that indicates limited/partial understanding. [1]
A definition that indicates full understanding. [2]

(b) Disadvantages of using an overdraft facility could include:

- Often carries high interest charges.
- Banks can 'call in' overdrafts at very short notice.
- Overdrafts may need to be secured against business assets which puts them at risk.
- Cannot be used for large borrowing (normally).

Partial explanation of **one** disadvantage or simple statement of **two** disadvantages. [1]
Sound explanation of **one** disadvantage or partial explanation of **two** disadvantages. [2]
Sound explanation of **two** disadvantages. [3]

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5 (a) A close alignment is vital as:

- Corporate objectives such as profit maximisation, growth, market share, CSR, survival, provide a clear guide for business action and strategy.
- The marketing objectives and strategy are designed to support and achieve the corporate objectives.
- A business in pursuit of short term profit targets will require sales to be maximised at highest prices possible.
- A business in pursuit of longer-term profit objectives may adopt a 'societal marketing' approach to incorporate CSR.
- So marketing objectives need to fit with overall aims and mission of a business.

Analysis of the link between marketing objectives and corporate objectives.	[7–8]
Good explanation of the link between marketing objectives and corporate objectives.	[5–6]
Limited explanation of marketing objectives and corporate objectives.	[3–4]
Little understanding of marketing objectives and/or corporate objectives.	[1–2]

(b) Product portfolio analysis is said to be important in achieving marketing objectives as:

- Whatever the marketing objectives – increase market share, increase total sales, product development, rebrand products – the product portfolio needs to be understood and regularly analysed.
- In a highly competitive area such as cell phone manufacture and design, it is vital that the width and depth of the product mix is regularly considered.
- The aim is to review the 'optimal product mix' in the light of current marketing strengths, potential demand estimates, resource issues, and the general market environment.
- The benefits of product portfolio analysis are said to be the opportunity to identify market strengths, weaknesses, with a view to improve performance.
- Reference may be made to tools of analysis and should be rewarded as part of relevant analysis – but this is a question of WHY portfolio analysis rather than HOW.

Evaluative comment on the importance of product portfolio analysis in context.	[9–12]
Analysis of the importance of product portfolio analysis in context.	[7–8]
Some discussion of product portfolio analysis.	[3–6]
Limited understanding of product portfolio analysis.	[1–2]

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6 This view suggests that the roles of 'Leader' and 'Manager' in an organisation are quite distinctive and different. The discussion could raise the following issues.

- The distinction is between a 'passive' manager and a 'dynamic' leader and that they are two very different roles/functions.
- The leadership role can be put in a context of charismatic characteristics that inspire, motivate, win hearts, break new ground, achieve organisational purpose and objectives. Reference may be made to leadership theory and leadership roles.
- The management role might be discussed in terms of objectives, planning, co-ordinating, controlling and motivating – with some reference to theory such as Mintzberg.
- Answers may well argue that good leaders can be bad managers, and good managers can also be very effective leaders.
- The theory of leadership and management suggests distinctive functions but also overlapping responsibilities and opportunities.

Evaluative discussion that clearly addresses the roles/functions of leaders and managers and seeks to unpack the assumptions in the question. [17–20]
Analysis of roles/functions of leaders and managers (probably with use of leader/management theory). [13–16]
Good understanding of the roles/functions of leaders and managers. [11–12]
Some understanding of the roles/functions of leaders but limited discussion. [5–10]
Very limited understanding of the respective roles of managers and leaders. [1–4]

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7 (a) A business environment may be described as dynamic in that:

- It is rarely static – the nature of business and markets suggests volatility and turbulence.
- Legislative/governmental influences change from time to time.
- Economic and social movements affect demand and supply.
- Technology is ever changing making new opportunities and threats.
- Local, national, international competition develops and changes.
- A business may be a part of the change dynamic, as well as needing to react to change initiated by other factors.
- Financial factors often influential, currencies, exchange rates etc. – credit relevant environmental change factors identified.

Analysis of evidence of the dynamic nature of business environments. [7–8]
Good explanation of the dynamic nature of business environments. [5–6]
Limited explanation of the dynamic nature of business environments. [3–4]
Little understanding of the dynamic nature of business environments. [1–2]

(b) The view that business should focus solely on making profit and not be diverted into corporate (social) responsibility objectives might comment on the following:

- More profit will allow a 'trickle down' effect and supply the resources to deal with social issues.
- Entrepreneurs and managers should maintain a clear focus on 'bottom line' issues – play to their strengths.
- Markets and prices are distorted – let businesses and markets do what they do best.
- Alternatively it is argued that the social cost of profit focus alone is too high.
- It is possible and necessary to combine profit pursuit with socially responsible business practices.
- It is vital to continually assess the impact of business activity on the environment and to require more responsible action.
- Corporate social responsibility is often now seen as an essential part of reputation management and can act as a competitive advantage.

Some evaluative comment on the relative significance of profit maximisation and corporate responsibility [9–12]
Analysis of the assertion regarding profit and corporate responsibility. [7–8]
Some discussion of the assertion regarding profit and corporate responsibility. [3–6]
Limited understanding of the issues involved with corporate responsibility and profit making. [1–2]

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