CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2013 series

9707 BUSINESS STUDIES

9707/12 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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a) 'Retained profit' can be defined as 'the profit left after all deductions including dividends have been made, which is 'ploughed back' into a company as a potential source of (investment) finance.

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

(b) Advantages of using retained profit as a source of investment finance could include:

– Self-generated sources of finance do not carry the costs of external funding.
– Readily available/liquid for speed investment.
– Avoids the necessity for secured loans and risk to company assets.
– Gives a business flexibility in deciding whether or how much of retained profits to use.
– Does not affect the gearing ratio harmfully.

Partial recognition of **one** advantage or simple statement of **two** advantages. [1]
Sound explanation of **one** advantage or partial explanation of **two** advantages. [2]
Sound explanation of **two** advantages. [3]

2 (a) A random sample can be defined as a sample where each member of a target population has an equal chance of being included in a sample.

A partial definition. [1]
A full definition. [2]

(b) Quota sampling is a method of research where an interviewer selects an appropriate number of respondents from a stratified population. The advantages of quota sampling can be listed as:

– You ensure that the sample includes certain characteristics of the population in proportion to those in the total population, e.g. if the total population in terms of female gender is 51%, then you will select 51% of your sample as women.
– It is easier to organise than random sampling.
– It is cheaper to collect than random sampling.
– It is more reliable than random sampling.
– It is particularly useful for collecting immediate reaction to an event.

Partial explanation of **one** advantage or simple statement of **two**, or clear explanation of quota sampling. [1]
Sound explanation of **one** advantage or partial explanation of **two**. [2]
Sound explanation of **two** advantages. [3]

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3 The explanation will likely include a definition of ethics in business: 'the moral guidelines that determines business decision-making' and may refer to the objectives a private sector business might seek to achieve, e.g. profit maximisation, market share, growth, maximising short-term sales revenue, maximising shareholder value.

The explanation of the influence of ethics on business objectives and activities might include:

– stop questionable business activities such as taking/giving bribes in order to secure sales/location.
– engage in less polluting production processes.
– pursue social responsibility rather than just profit.
– stop exploiting workers/suppliers.
– extra focus/emphasis on safety issues.
– amending advertising/marketing in pursuit of higher ethical standards.
– stop price fixing, collusion with competitors.
– costs money/reduces profits in the short term.

These are just a few positive and negative implications for a business in the pursuit of a more ethical approach.

Limited reference to either ethics or business objectives. [1]
General explanation of link between ethics and business objectives/activities. [2–3]
Sound explanation with good examples of the influence of ethics on business objectives and/or activities. [4–5]

4 **(a)** Productivity is defined as the ration of outputs to inputs during production.

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

(b) Level of operational productivity might be increased by:

– Purchasing and using more technically advanced machines/equipment.
– More efficient operational management, e.g. effective maintenance of machinery – effective supervision/motivation of staff.
– Raise skill levels of staff.

(These three broad approaches to increased operational productivity may contain a number of specific relevant proposals that should be rewarded.)

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]

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5 (a) The benefits to a business through employee involvement will likely cover issues such as:

- The context is staff involvement, participation, feedback, lots of information/ communication – a democratic approach.
- Staff expected to contribute fully – e.g. suggestions/quality circles.
- New solutions expected.
- In the process higher order needs of staff satisfied.
- Change likely to be better accepted and managed.
- High staff motivation and business is more productive.
- Depends very much on the experience and degree of responsibility staff prepared to accept, together with quality/sensitivity of management.

Analysis of potential benefits. [7–8]
Good explanation of potential benefits. [5–6]
Limited explanation of potential benefits. [3–4]
Little understanding of potential benefits. [1–2]

(b) The likely impact of an autocratic style of leadership may address the following:

- Context and meaning of autocratic leadership is explained – the leader takes most decisions – little information to staff – close supervision – little staff involvement.
- Application of autocratic style to specific hotel situations – the style may be considered to be appropriate for some stuff, e.g. room maids, kitchen and cleaning staff (potentially controversial!) and purchasing.
- Style may be considered less appropriate to other staff, e.g. front of house staff, marketing, finance, etc. so for some staff the impact may be demotivating but for others it may give them additional incentives to perform.
- Some relevant motivation theory/theorists may be suggested as evidence.

Evaluative comment on the problematic nature of any impact, given the variety of staff and functions in a hotel. [9–12]
Analysis of the likely impact of an autocratic leadership style in a hotel business. [7–8]
Good discussion of the likely impact of an autocratic leadership style in a business. [3–6]
Shows limited understanding of leadership style and its potential impact. [1–2]

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6 The discussion of threats and opportunities as a result of technology is directly related to operations and project management but some perceptive candidates might well consider its impact on other business areas, e.g. marketing methods, HR methods, financial methods. Answers that focus on operations might discuss the following:

– CAD and CAM – allowing quicker new product development, and streamlined robotic machinery – cost saving – innovation – flexibility – linked to supplies.
– IT developments – speed, accuracy, over all departments.
– Internet – worldwide marketing, communication, intranets.

All of the above offer significant opportunities for many businesses. Threats also exist:

– Internal threats – staff reduction, de-skilling
– External threats – new technology may facilitate outsourcing and transfer of production to more cost-effective international areas.
– It may all depend on the particular type and impact of technology, and on the specific nature of the business and its operations.
– The country context is then added to these factors.

Evaluative discussion of potential threats and opportunities for operational decisions of specific technological examples in a country context. [17–20]
Analysis of potential threats and opportunities for operational decisions of specific technological examples in a country context. [13–16]
Good understanding of potential threats and opportunities for operational decisions of specific technological examples in a country context. [11–12]
Some understanding of potential threats and opportunities of specific technological examples. [5–10]
Very limited understanding of technology and its potential impact on business. [1–4]

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7 (a) A product may be more than the sum of its physical parts:

- The **tangible** 'bells and whistles' of a product, such as distinctive features, quality levels, functionalities may be an insufficient measure of worth and value.
- A product may have significant **intangible** attributes which may add considerable asset value to the balance sheet of a company.
- Intangibles such as reputation, goodwill, established brand, patents, copyright, can be items of significant value but they do not have a physical presence.
- For some industries, e.g. music, publishing, scientific research, luxury cars, these intangibles may be a significant source of asset value.

Analysis of why intangibles and tangibles may be important. [7–8]
Good explanation of tangible and intangible product attributes. [5–6]
Limited explanation of tangible and/or intangible product attributes. [3–4]
Little awareness of the distinction between tangibles and intangibles. [1–2]

(b)
- The ability and opportunity to extend the life of a product depends, of course, on how strong consumer associations with the brand are.
- It is potentially cost-effective in that it delays the need for potentially expensive launch of new products.
- It can stretch a brand and identity and achieve new sales revenue, e.g. Ralph Lauren brand extended from clothes to home furnishing (Virgin).
- Extensions can lead to diversification, not just extending the life of a product.
- It reduces risk by exploiting the brand name to enhance the consumer perception of brand equity.
- So potentially significant benefits – increased profitability.
- Also potentially significant risks with brand extension.
- Can, with bad decisions, dilute and/or damage the wider brand and its equity – through a flawed production extension.
- The product may not be amenable to an extension strategy and resources could be wasted.
- The extension strategy might not be well thought out.
- There is a high rate of failure for extending/stretching brands.
- It can cause uncertainty in the mind of the consumer.
- May lead to 'over extension' where the 'new' attributes are hardly noticeable.

Some evaluative comment on advantage and disadvantages of extension strategies. [9–12]
Analysis of advantages and disadvantages of extension strategies. [7–8]
Good discussion of advantages and/or disadvantages of extension strategies. [3–6]
Limited understanding of extension strategies. [1–2]

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