CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2013 series

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Cambridge is publishing the mark schemes for the May/June 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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1 Regal Restaurant (RR)

(a) Explain the following terms:

(i) corporate responsibility [3]

Content: Those businesses that consider the interests of society by taking responsibility for the impact of their decisions and activities on customers, employees, communities and the environment, beyond what is required in law.

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

(ii) above the line promotion. [3]

Content: A form of promotion that is undertaken by a business by paying for communication with customers – for information/persuasion. Example would be useful.

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

(b) (i) Calculate RR's forecast market share for 2013. [2]

Market share = 200 000/10 million = 2%

Correct answer 2 marks
Attempt 1 mark

(ii) Explain <u>two</u> disadvantages to RR of using market share as a measure of business performance. [4]

Reliability/accuracy of data
MS determined more by performance of others
MS highly influenced by external factors such as……
ARA, OFR – only one disadvantage max 3.

Knowledge and Application
Level 2: Shows understanding of market share in context of the business **(3–4 marks)**
Level 1: Simple statements of disadvantages **(1–2 marks)**

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(c) Analyse the advantages and disadvantages to RR of operating as a franchise. [8]

Content:

As a franchisee (part of a large scale operation) benefits from EOS of franchisor:
- benefits from bulk buying of franchisor e.g. ingredients
- benefits from expert management/guidance/support from franchisor
- marketing economies – above the line promotion
- possibility of financial economies
- also benefits from shared services

However, has less freedom and is likely to have to pay a royalty.
Can suffer from wider reputation of business e.g. poor CSR (CR).
Payments for services.

Won't get EOS at local level, part of a small scale operation
- fish buying may not benefit – small scale
- recruitment on small scale

ARA

Knowledge and Application	**Analysis**
Level 2: Shows understanding of franchises in context of the business **(3–4 marks)**	**Level 2**: Good analysis in context **(3–4 marks)**
Level 1: Shows knowledge of franchises **(1–2 marks)**	**Level 1**: Limited analysis of franchises **(1–2 marks)**

(d) Evaluate methods that Rose could use to reduce the high labour turnover. [10]

Things outside RR's influence:
Increased number of overseas students – seek employees elsewhere than university?
New food regulations: better training?
Competitor aggressively recruiting: – match conditions/ recruitment drive?
Corporate responsibility – could well matter to university students – improve CSR (CR)
Unfair dismissal – relevance? Was it unfair? Isolated incident?
Evaluation likely to come from prioritising methods or choosing best method

ARA

Knowledge and Application	**Analysis and evaluation**
Level 2: Shows understanding of labour turnover/methods in context of the business **(3–4 marks)**	**Level 2**: Evaluation of methods in context **(3–6 marks)**
Level 1: Shows knowledge of labour turnover/methods **(1–2 marks)**	**Level 1**: Analysis of method(s) **(1–2 marks)**

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2 Trendy Paints (TP)

(a) Explain the following terms:

(i) limited liability [3]

Content:

The legal concept that incorporated businesses give some protection to investors – they are only liable for the debts of the business up to the amount of their original investment. Allows investors to take greater risks.

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

(ii) wholesalers. [3]

Content: Intermediaries between producer and final customer. Can improve distribution efficiency. Less important due to e-commerce. Example useful.

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

(b) (i) TP sells its paints at an average price of $10 per litre. Using Table 1, calculate the break-even level of production per year for TP's proposed new production system. [3]

BE = FC/(price – uvc) = $300m / ($10 – 3) = 42.9m litres (accept 43, 42.8)

Correct answer 3 marks
Good attempt 2 marks formula but mistakes)
Attempt 1 mark

(ii) The annual break-even level for the existing production system is 40 million litres. Comment on the change in break-even if TP introduces the new production system. [3]

BE higher.
Margin of safety gone from 10m to 7.1m.
Lower VC. Can FC be smaller?

ARA OFR

Knowledge and Application
Level 2: Shows understanding of BE in the context of the data **(2–3 marks)**
Level 1: Simple statements **(1 mark)**

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(c) Analyse why TP's objectives could differ from those of its competitors. [8]

Partnership versus multinational (probably incorporated)
Competitors operate in a variety of markets/countries
Competitors have a variety of products/services
So attitude to risk likely to be different
Different stakeholders

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of objectives/reasons in the context of the business **(3–4 marks)**	**Level 2**: good analysis of differences in context **(3–4 marks)**
Level 1: Shows understanding of objectives/reasons **(1–2 marks)**	**Level 1**: Limited analysis of differences **(1–2 marks)**

(d) Evaluate changes to the marketing mix if TP decides to enter the house paint market. [10]

Moving from industrial to consumer market.
Can't rely on traditional sales methods – need to promote to consumers and wholesalers.
Packaging/branding may become important.
Pricing issues – likely to be per litre rather than per contract.

ARA

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

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