**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2013 series

# 9707 BUSINESS STUDIES

**9707/23** 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 Coffee Paradise (CP)**

**(a) Explain the following terms:**

**(i) internal growth [3]**

Content: Expansion of a business by means of opening new branches, shops or factories (also known as organic growth). Contrasts with mergers, takeovers.

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

**(ii) direct costs. [3]**

Content: Costs directly associated with an activity. Can be variable (e.g. materials) or fixed (e.g. wages paid to a Business Studies teacher is a direct cost of an A level Business Studies course). Examples helpful.

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

**(b) (i) Assume CP uses a mark up of 70% on costs for pricing its meals. Using the information in Table 1, calculate the price that CP would charge for its meals. [3]**

Total costs per meal = 0.80 + 0.30 = $1.10
Mark up = 0.7 × 1.10 = 0.77
Price = 1.10 + 0.77 = $1.87

Correct answer 3 marks
Right method 2 marks (e.g. no $)
Attempt 1 mark

**(ii) Explain <u>one</u> factor (other than mark-up) that Anna should consider when deciding on the price for meals. [3]**

Demand
Competitors
Pricing strategy (other than mark-up/cost plus)
Objectives

ARA

| **Knowledge and Application** |
|---|
| **Level 2**: Shows understanding of a pricing in context of the business **(2–3 marks)** |
| **Level 1**: Simple statements **(1 mark)** |

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**(c) Analyse methods that Anna could use to improve the recruitment and selection process. [8]**

- What's currently happening is clearly not satisfactory
- Agency do not seem to appoint the right staff
- Job descriptions/person specifications would help
- Selection criteria needed
- Need good way of attracting applicants
- Selection methods – need to assess necessary skills

| Knowledge and Application | Analysis |
|---|---|
| **Level 2**: Shows understanding of recruitment and selection in context of the business **(3–4 marks)** | **Level 2**: Analysis of methods **(3–4 marks)** |
| **Level 1**: Shows knowledge of recruitment and selection **(1–2 marks)** | **Level 1**: Limited analysis of methods **(1–2 marks)** |

**(d) Using Table 2, recommend to Anna the best site for the new coffee shop. Justify your answer. [10]**

Location A

- A has benefit of new market and little competition. But will that always be the case?
- How confident is Anna in her product? If very, then competition may not be such an issue.
- How important is it that Anna gets the shop fitted as she wants? Appearance is clearly important to her.
- Positioning and rents are major uncertainties as is level of costs.

Location B

- Developing markets might be easier – ready-made customers. But what about competition?
- May not be able to fit out the way she wants – clearly important to her.
- Higher costs may be a problem, but how much higher? At least they are known.

Evaluation will usually come from a recommendation to be made.

ARA

| Knowledge and Application | Analysis and Evaluation |
|---|---|
| **Level 2**: Shows understanding of location in context of the business **(3–4 marks)** | **Level 2**: Evaluation of location(s) **(3–6 marks)** |
| **Level 1**: Shows knowledge of location issues **(1–2 marks)** | **Level 1**: Limited analysis of location(s) **(1–2 marks)** |

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**2 Cando eCables (CeC)**

**(a) Explain the following terms:**

**(i) consumer markets [3]**

Content: Markets for goods and services bought by the final user of them. Contrast with the sort of markets that involve business-to-business. Examples useful.

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

**(ii) cash flow. [3]**

Content: Statement of cash inflows and outflows over time showing balance at beginning/end. Can be forecast/actual/historical. Useful for planning, monitoring, investment appraisal etc.

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

**(b) (i) Using Table 3, calculate the price elasticity of demand for computer cables. [2]**

PED = 20%/5% = –4 elastic

Correct answer **2 marks** (no units)
Attempt **1 mark**

**(ii) The price elasticity of demand for industrial cables is estimated to be –0.2. Using this information and your answer to (b)(i), briefly comment on the differences between the markets for CeC's products. [4]**

Industrial: inelastic – depressed sector, little interest in buying
Computers: elastic – buoyant sector, consumers looking for good prices

Are changes due to price changes or the state of the various sectors?

ARA

| **Knowledge and Application** |
|---|
| **Level 2**: Shows understanding of elasticity in the context of the data **(3–4 marks)** |
| **Level 1**: Shows understanding of elasticity, simple statements **(1–2 marks)** |

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**(c) Analyse the need for CeC to review its objectives over time. [8]**

Positive:

Necessary to adjust to changing market circumstances
Necessary as businesses grow and develop
Some objectives are not discretionary e.g. survival

Negative:

Change can be resisted
Change can be difficult, disruptive

ARA

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

**(d) Discuss possible solutions to CeC's working capital problems. [10]**

Some use of ratios needed for highest marks
Inventory management
Better planning, maintenance of machinery
Cash injection – e.g. overdraft
Debt factoring, debtors, creditors
*Some of the above improve cash flow rather than working capital, however cash flow is part of the working capital problem.*

ARA

| Knowledge and Application | Analysis and Evaluation |
|---|---|
| **Level 2**: Shows understanding of working capital/liquidity in the context of the business **(3–4 marks)** | **Level 2**: Evaluation of solution(s) in context **(3–6 marks)** |
| **Level 1**: Shows understanding of working capital/liquidity **(1–2 marks)** | **Level 1**: Limited analysis of solution(s) **(1–2 marks)** |

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