**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the May/June 2014 series

# 9707 BUSINESS STUDIES

**9707/11** 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.

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**1 (a)** A definition should refer to the key decisions that must be taken by a marketing department in order to ensure the effective marketing of a product – usually said to be made up of four inter-related decisions, the 4 Ps – product design and performance, price, promotion, and place. Some texts add more Ps, such as people and process.

Some see the four Ps as old-fashioned and product-focused. Fours Cs have been proposed: Customer solution/product, cost to customer/price, communication with customer/promotion, convenience to customer/place.

| | |
|---|---|
| Partial definition – limited understanding | [1] |
| Full definition – sound understanding | [2] |

**(b)** Answers could refer to the following:

- Place is where and how a product will be sold to customers.
- Place decisions concerned with how products should pass from manufacturer to the final customer.
- Place is about convenience to the customer.
- Place is one important element of a business marketing strategy.
- The product must get to the right place at the right time.
- Place involves decisions about distribution channels, e.g. direct selling/retailers/internet.
- Clearly, Place decisions are a vital part of a successful marketing strategy.

| | |
|---|---|
| Some limited explanation of 'Place' in the marketing mix. | [1] |
| Good descriptive explanation of 'Place' in the marketing mix. | [2] |
| Sound explanation of 'Place' in the marketing mix with explicit/implicit reference to its **importance** in the marketing mix. | [3] |

**2 (a)**

- Definition should refer to the rate at which staff leave a business.
- A measure is the number of staff leaving in any one year divided by the average number of staff employed $\times$ 100.
- A business with an average staff of 100 with 30 leaving would have a labour turnover rate of 30%.
- May be an indicator of staff morale or poor recruitment policy.

| | |
|---|---|
| Partial definition – limited understanding | [1] |
| Full definition – sound understanding | [2] |

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**(b)**
- HRM is concerned with the effective management of staff in a business to ensure that those staff enable the business to be productive and efficient.
- Essential purpose of HRM is to recruit, train and use staff in the most productive way to assist the organisation in achieving its objective.
- Specific ways could include: recruiting and selecting appropriate staff – training and development of staff – motivating staff – supporting staff welfare – developing appropriate pay systems, etc.

| | |
|---|---|
| General statement of HRM role or partial explanation of **one** way or list of **two** ways. | [1] |
| Sound explanation of **one** way or partial explanation of **two** ways. | [2] |
| Sound explanation of **two** ways. | [3] |

**3**
- Cash flow forecasts are estimates of the future cash inflows and outflows of a business.
- They are financial planning estimates dealing with the future.
- They are important, especially for a new business.
- They show periods of negative cash flow and so allow plans for additional financing, e.g. a bank overdraft or additional owner finance.
- Or plans can be made in negative cash flow periods to reduce expenditure or increase cash inflow by discontinuing credit sales.
- Cash flow forecasts give information to investors and bankers – a vital requisite for business start up and development.

| | |
|---|---|
| Limited explanation/definition of a cash flow forecast. | [1] |
| Sound explanation of cash flow forecasting in a business. | [2–3] |
| Sound explanation of the **importance** of cash flow forecasting in a business. | [4] |
| Sound explanation of the **importance** of cash flow forecasts for a **new** business. | [5] |

**4 (a)**
- Operations management has been defined as the discipline of managing resources to achieve efficient on-going production/provision of goods and services.
- Concerned with workflow at the operational level – how work will be performed, who will do it, how resources will be combined.
- The conversion of strategic goals into operational activity.

| | |
|---|---|
| Partial definition – limited understanding | [1] |
| Full definition – sound understanding | [2] |

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**(b)** Changes in technology that could affect the operations management of a business could include:

- Advances in technology could mean greater efficiency in production/service processes.
- Could mean the need to update equipment and require new investment.
- Impact of technological change on employees - can they change/cope?
- If the business does not keep up with technological change the operations management may contribute to a fall in demand for the product/service.
- Possible impact on productivity and costs.
- Could mean less/different staff required.

| | |
|---|---|
| Some limited reference to operations management and/or technology | [1] |
| Explanation of the link between changes in technology and operations management | [2] |
| Explanation of the **impact** of technology change on operations management. | [3] |

**5 (a)**
- Maslow essentially concerned with identifying and classifying human needs.
- Application to the work organisation is the presumption that satisfied needs at work lead to greater productivity.
- Hierarchy of needs – from physical needs to self-actualised needs.
- Herzberg – focus on a two-factor theory.
- Hygiene factors (e.g. working conditions, salary), extrinsic factors can cause dissatisfaction – these need to be removed but satisfaction with hygiene factors will not necessarily create a motivated workforce. Motivating factors – intrinsic factors – are the key to productivity (achievement, recognition, responsibility).

| | |
|---|---|
| Analysis of the differences between the **two** theories. | [7–8] |
| Good explanation of the difference between the **two** theories. | [5–6] |
| Limited explanation of the difference between the **two** theories. | [3–4] |
| Little understanding of the difference between the **two** theories. | [1–2] |

**(b)**
- Discussion should distinguish between *managers* and *leaders*.
- Managers said to deal with the 'now' – set objectives, plan, co-ordinate, motivate, direct and control (Mintzberg classification may be cited).
- Leaders – said to be more about the future – giving clear direction, and vision and purpose for an organisation.
- Each requiring different qualities and skills.
- Arguably successful organisations need both effective managers and leaders – they can be the same people – but not necessarily!
- Accept a discussion of the concept of *informal leaders.*

| | |
|---|---|
| Evaluative comment on the importance/roles/impact of managers and leaders. | [9–12] |
| Analysis of the contribution of managers and leaders to successful organisations. | [7–8] |
| Discussion of the contribution of managers and/or leaders to successful organisations. | [3–6] |
| Limited understanding of the contribution of managers and/or leaders | [1–2] |

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**6**

- Published accounts are financial records of business transactions which provide essential information to groups within and externally to a business (e.g., internal managers, staff, shareholders, banks, etc.).
- Published accounts give information on profitability, value of fixed assets, liquidity, growth/investment potential.
- Interested stakeholders may use accounts and examine performance indicators such as net profit margin, level of sales, long-term liabilities. These provide indicators of performance and financial stability/strength – more than one year's accounts may be examined.
- While of potential value to an interested stakeholder, published accounts have limitations:
  - contain only information required by law
  - it is historic information
  - do not give details of each section of the business
  - may not include future budgets or financial plans
  - there may be 'window dressing'
  - qualitative factors such as internal health of the business not in the remit of published accounts.

| | |
|---|---|
| Evaluative discussion of the usefulness and limitations of published accounts for measuring business performance. | [17–20] |
| Analysis of how published accounts are useful for measuring business performance. | [13–16] |
| Good discussion of how published accounts are useful and limited for measuring business performance. | [11–12] |
| Discussion of how published accounts are useful. | [5–10] |
| Limited understanding of published accounts. | [1–4] |

**7 (a)** Batch production – a single product made in batches to an individual specification – production process divided into a number of different stages – each operation at each stage carried out in a batch, e.g. there is a demand for 500 bread rolls – allows each batch to be matched to a specific demand specification – flexible and some economies of scale if large batches.

Flow production – mass production of identical standardised products – continuous sequence of a range of different operations – large quantities produced – automatic – lower unit costs – semi-skilled workers required.

| | |
|---|---|
| Analysis of the difference between the two methods. | [7–8] |
| Good explanation of the difference between the two methods | [5–6] |
| Limited explanation of the two production methods. | [3–4] |
| Little understanding of the two production methods. | [1–2] |

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**(b)**
- Discussion could well focus on the explanations/definitions given in **7 (a)**.
- Factors that could affect a business as it moves from batch production to flow production:
  - new machinery/technology – cost implications.
  - impact on staff – redundancy implications.
  - impact on morale/motivation of staff.
  - implications for inventory requirements.
  - impact on unit costs.
  - impact on quality standards of products.
  - the need to plan and manage this change.
  - impact on consumer – standardised products.
- The effect of these factors and implications for the business also determined by the context of the business and its products, e.g. existing levels of automation, the industrial relations situation, the managerial competency within the business.

| | |
|---|---|
| Evaluative comment on the implications/factors involved in this production change. | [9–12] |
| Analysis of the implications of a **change** in production methods. | [7–8] |
| Discussion of batch or flow production. | [3–6] |
| Limited understanding of production methods. | [1–2] |

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