CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2014 series

9707 BUSINESS STUDIES

9707/21 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 2014 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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1 Super View (SV)

(a) Explain the following terms:

(i) dynamic pricing [3]

Content: Changing prices with changes in market conditions over time. Often used in the airline industry, theatre tickets etc. Can be very difficult to manage, but can be helped with the use of IT. Examples useful.

Level 2: Good explanation	**[2–3 marks]**
Level 1: Partial explanation/understanding	**[1 mark]**

(ii) trade receivables [3]

Content: Used to be known as Debtors. Amounts owed by customers for non-cash purchases. Part of current assets/ working capital.

Level 2: Good explanation	**[2–3 marks]**
Level 1: Partial explanation/understanding	**[1 mark]**

(b) (i) Using Table 1, calculate labour productivity for 2013 [2]

Flatscreens produced = 1800. Employees = 25.

Productivity = 1800/25 = 72 screens per worker.

Correct answer	**[2 marks]**
Attempt	**[1 mark]**

(ii) For 2012, labour productivity was 83 flatscreens per worker and annual capital productivity was 166 flatscreens per production line. Using your answer to (i) and other information, comment on changes in productivity at SV. [4]

Labour productivity down, capital productivity up. Number of employees increased? Why? Must have been more capital employed. Production line closed, efficiency up?

Note – do not reward 'productivity' without reference to labour or capital.

ARA.

Knowledge and Application
Level 2: Shows understanding of productivity using the data **[3–4 marks]**
Level 1:Simple statements about productivity **[1–2 marks]**

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(c) Using Table 2 and appropriate accounting ratios, analyse the change in SV's liquidity between 2012 and 2013. [8]

CR from 80/50 = 1.6 down to 70/70 = 1 moving in wrong direction. Why is there an overdraft? Cash management? Not balanced by increase in stocks. Why have stocks increased?

ATR from .6 down to 0.14. Poor, leading to potential major liquidity problem. Improvements in profits will be beneficial.

No context = maximum 2+2
Weak analysis in context maximum 4+2 =6
Analysis of 1 ratio maximum of 3+3=6

Knowledge and Application	Analysis
Level 2: Shows understanding of ratios/accounting data in context of the business **[3–4 marks]**	**Level 2** Good analysis in context **[3–4 marks]**
Level 1:Shows understanding of ratios/accounting data **[1–2 marks]**	**Level 1** Limited analysis relevant to liquidity **[1–2 marks]**

(d) Discuss the view that SV should have corporate responsibility as a business objective. [10]

Content:
- Business very much in the public eye – public events.
- Can it afford bad press?
- Customers (events organisations) will not want bad associations. What about final consumers? General public won't like noise. Is this behaving responsibly?
- What's the country's attitude to directors' pay?
- Would any anyone know (or care) about high energy use?

ARA

Evaluation likely to come from prioritisation of the issues and balanced argument.

No context = maximum 2 + 2
Weak analysis in context maximum 4 + 2 = 6
One sided analysis 4 + 4 = 6

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of CR(CSR)/objectives in context of the business **[3–4 marks]**	**Level 2** Evaluation of CR (CSR) objective in context **[3–6 marks]**
Level 1:Shows knowledge of CR(CSR)/objectives **[1–2 marks]**	**Level 1** limited analysis of usefulness of CR(CSR) objective **[1–2 marks]**

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2 Top Quality supermarkets (TQ)

(a) Explain the following terms:

(i) public limited company [3]

Content: Incorporated business. Shares available to the general public (cf private). Very strongly regulated, create capital. Example would help.

Level 2: Good understanding	**[2–3 marks]**
Level 1: Partial explanation/understanding	**[1 mark]**

(ii) direct costs [3]

Costs directly associated with a business activity. Varies with level of production/service. Not the same as variable costs. Example would help.

Level 2: Good understanding	**[2–3 marks]**
Level 1: Partial explanation/understanding	**[1 mark]**

(b) (i) Using the data in Table 3, calculate TQ's market share for 2013. [2]

95 / 424 × 100 = 22.4%

Correct answer **2 marks** – allow 22%, 95/424 Attempt **1 mark**

(ii) Explain why maintaining market share might not be a suitable objective for TQ. [4]

- Very dependent on what CC and other supermarkets do.
- Little evidence of success.
- What would stakeholders want? Higher profits? Higher quality? Better customer service?
- Does it matter if CC is bigger provided there is a loyal customer base?
- ARA.

Knowledge and Application
Level 2: Shows understanding of objectives/market share in the context of the business **[3–4 marks]**
Level 1:Shows understanding of objectives/market share **[1–2 marks]**

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(c) Analyse the likely impact on TQ's competitiveness of the proposed changes to its marketing mix. [8]

- Reduce prices: Competing on the same grounds as CC. Any chance of success? Impact on profits/image? Is this what TQ is good at?
- Increase marketing budget/TV: Profits? Impact? Likely success?
- Increased customer service: Already good. Can it be better? Likely to be what existing customers want. What do new customers want?
- Endorsements: who? how? Likely success?
- ARA.

No context = maximum 2+2
Weak analysis in context maximum 4+2 =6
Analysis of 1 change maximum of 3+3=6

Knowledge and Application	Analysis
Level 2: Shows understanding of marketing/mix in the context of the business **[3–4 marks]**	**Level 2:** Good analysis in context **[3–4 marks]**
Level 1:Shows understanding of marketing/mix **[1–2 marks]**	**Level 1**: Limited analysis of impact **[1–2 marks]**

(d) Discuss the extent to which the new employment contracts will help TQ improve its performance. [10]

- How important is performance? Maybe loyal customers is more important.
- Will it cost more? Can the business afford it?
- In what ways might it lead to higher sales? More motivated workers, more focus on profit motive. Theories suggest lots of motivation factors plus some hygiene. Is there a danger with lower than average pay? To what extent is a loyalty bonus relevant? Does higher sales mean more profits? What will the impact be of below average pay increases?
- ARA.

No context = maximum 2 + 2
Weak analysis in context maximum 4 + 2 = 6
One sided analysis 4 + 4 = 6

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of motivation in the context of the business **[3–4 marks]**	**Level 2:** Evaluation of contract in context **[3–6 marks]**
Level 1:Shows understanding of motivation **[1–2 marks]**	**Level 1**: Limited analysis of contract **[1–2 marks]**

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