CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2014 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.

Cambridge will not enter into discussions about these mark schemes.

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 Let's Make Music (LMM)

(a) Explain the following terms:

(i) Consumer market [3]

Content: Market in which the main buyers are the general public, known as final consumers. Example/contrast with 'industrial' helps.

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

(ii) 4Ps. [3]

Content: The marketing mix – price product place promotion (or other variants including packaging). Marketing mix is usually integrated together in order to launch/sell a product or service.

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

(b) (i) Calculate labour turnover rate for 2013. [2]

12 staff left out of 54.

Labour turnover = 12 / 54 × 100 = 22.2%. Allow rounding.

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

(ii) Explain <u>one</u> suitable method for reducing labour turnover at LMM. [4]

The main reason staff left was for higher pay. So can LMM afford to offer higher pay? Would it have long term benefits?

The second most significant reason is lack of promotion opportunities. More promotion opportunities need to be given by LMM. How? Job enrichment? Job enlargement?

ARA

Knowledge and Application
Level 2: Shows understanding of labour turnover/motivation in context of the business **[3–4 marks]**
Level 1: Shows knowledge/understanding of labour turnover/motivation **[1–2 marks]**

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(c) Discuss the likely impact on LMM's profits resulting from moving into international markets. [10]

Context could come from:

Increased costs might occur:
- High cost of investment (for the change to mass customisation)
- Extra distribution costs (into other countries)
- After sales customer service in other countries
- Relocation costs

Reduced costs could come in the long term from:
- Mass customisation
- Economies of scale

Impact on revenues:
- Highly competitive – lower prices? What about the level of competition?
- Exchange rate uncertainties

An evaluation is likely to come from assessing the relative importance of the impacts; for example, LMM is likely only to make the move into international markets if it is convinced that profits will increase.

ARA

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

No context: maximum 2 + 2 = 4 marks
One-sided analysis: maximum 3 + 3 = 6 marks
No balancing conclusion/judgements: maximum 4 + 4 = 8 marks

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(d) Analyse the likely impact on LMM's stakeholders of a change from batch production to mass customisation. [8]

Content is likely to come from:

Employees:
- Change of working practices – they will be used to batch? De-skilling?
- Redundancies could be an issue arising from the shift to mass customisation
- Long term futures assured from the external growth internationally
- Relocation
- Business expands – more opportunities for promotion?

Shareholders:
- Forego dividends in the short term due to the costs of the investment
- Long-term gains from increased profits
- Risk increased – what if the expansion fails and profits fall?

Government:
- Potential for more taxes
- Import/export role?

Community:
- Relocation

Suppliers:
- More business/more profits, might need different suppliers

Customers:
- Better choice

Bank etc.:
- Borrowing for investment

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of stakeholders/production systems in context of the business **[3–4 marks]**	**Level 2:** Good analysis of impact on stakeholders in context **[3–4 marks]**
Level 1: Shows knowledge of stakeholders/production systems **[1–2 marks]**	**Level 1:** Limited analysis of impact on stakeholders **[1–2 marks]**

No context: maximum 2 + 2 = 4 marks
Weak analysis in context: maximum 4 + 2 = 6 marks
Analysis of only one stakeholder: maximum 3 + 3 = 6 marks

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2 Great Gifts (GG)

1 Explain the following terms:

(i) job production **[3]**

This is a production system in which products are made individually (one-off) to meet customer's requirements. Can be expensive and require high level of skills. Example useful.

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

(ii) JIT. **[3]**

Inventory control system (allow production system) when buying inventory occurs when needed for production rather than using buffer stock (production). JIT conditions need to be met e.g. reliable suppliers.

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

(b) Briefly analyse <u>one</u> advantage and <u>one</u> disadvantage to the employees of GG being a co-operative. **[6]**

Advantages:
- Ownership by workers so decisions are likely to be taken with their interests in mind
- Decision-making by directors voted for by workers not external shareholders
- Shared profits between workers, increases motivation

Disadvantages:
- Complex decisions = uncertainty = poor performance
- Workers and worker directors might not have skills for decisions
- Management roles unclear and therefore inefficiencies can occur

Knowledge and Application	Analysis
Level 2: Shows understanding of cooperatives in the context of the business/employees **[3–4 marks]**	(not applicable)
Level 1: Shows understanding of cooperatives **[1–2 marks]**	**Level 1:** Analysis of impact on employees **[1–2marks]**

Only one-sided: maximum 3 + 1 = 4 marks
No understanding of co-operatives: no marks

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(c) With reference to Table 2, analyse possible sources of finance suitable for opening the new shop. [8]

- $50,000 needed
- Retained profits not known but could make useful contribution if available
- Few current assets so not suitable to convert into cash
- Unlikely to be any redundant assets – worth looking at, though
- Not very indebted so long term loan may be suitable – would banks lend to a co-operative?
- Owners put a lot in already? Could they be expected to put more? How would they finance it?
- The business is liquid (CR of 1.5:1) therefore could be seen as less risky to an investor
- Business has £20,000 non-current assets, what would an external lender make of collateral/risk?

ARA

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

No context: maximum 2 + 2 = 4 marks
Weak analysis in context: 4 + 2 = 6 marks
Analysis of only 1 source: maximum 3 + 3 = 6 marks
No use of Table 2: maximum 3 + 3 = 6 marks

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(d) Evaluate the leadership style used by the Managing Director. [10]

There are suggestions that the MD is too democratic/laissez faire.

Advantages of this approach:

- Builds good relationships, particularly as owners are the workers.
- Some workers may feel that the MD has the right approach and so feel secure as a result of this; for example, they have a vote and key role in decision making.

Disadvantages of this approach:

- There is a lack of strategy for the future of the business and so there is a risk to the security and stability of GG.
- If threats are not being monitored then GG is at risk and could fail.

Leaders needs to make effective decisions and be responsive. It may be suggested that the MD need to be more 'hands on' and autocratic. Is this suitable for a co-operative?

An evaluation is likely to come from candidates making a judgment and justification on the effectiveness of the MD's leadership style and/or any changes that might need to be made to make it more effective.

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

No context: maximum 2 + 2 = 4 marks
One-sided analysis: maximum 3 + 3 = 6 marks
Weak analysis in context: maximum 4 + 2 = 6 marks
No balancing conclusion/judgements: maximum 4 + 4 = 8 marks

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