CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2014 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.

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 Pippa's shop (P)

(a) Explain the following terms:

(i) portfolio analysis (3)

Content: Examining the current portfolio (collection) of products to see whether it works well and whether additional products should be added, products dropped.

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

(ii) inventories (3)

Content: Raw materials, work-in progress, finished product (stored products). Materials and goods required to allow for the production of goods and services.

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

(b) Using information in Table 2 analyse the impact on PS's forecast liquidity if PS decides to expand the business (8)

Ratios

Current ratio down a lot from **1.5 to 1** suggesting a liquidity problem. Despite huge increase in stocks (new computer games bought).

Acid test ratio down too from **1.26 (comfortable) to 0.25**, again suggesting liquidity problems. issues seem to be rising stocks, rising overdraft – did business borrow to buy stocks? Quite likely.

Other issues

- Working capital down to $0
- No cash after expansion
- Large increase in inventory
- Increased spending on advertising - affordable?
- Will there be extra costs for labour recruitment/retention?
- Is this a short term problem? Particularly if overdraft can be reduced through increased cash flow.

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of liquidity/ratios in the context of the business (3 – 4 marks)	Level 2: Good analysis of impact in context (3 – 4 marks)
Level 1: Shows understanding of liquidity/ratios (1 – 2 marks)	Level 1: limited analysis of impact (1 – 2 marks)

No context: Marks limited to 2 + 2 = 4
Weak analysis in context: Marks limited to 4 + 2 = 6
Analysis of only numbers/ratios **OR** only other issues in context: Marks limited to 3 + 3 = 6

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(c) Briefly analyse <u>one</u> factor that will influence the likely success of Chloe's proposal to reduce prices.

(6)

- Prices down sales up? Depends on elasticity.
- Impact on profits not same as impact on revenues (up if elastic)
- Impact in image? Cheaper image may not be good.
- Any impact on costs?
- Would stocks decrease? – may solve stock problem.

ARA

Knowledge and Application	**Analysis**
Level 2: Shows understanding of price changes/price influences in the context of the business (3 – 4 marks)	
Level 1: Shows understanding of price changes/proposals (1 – 2 marks)	Level 1: Brief analysis of influence of price changes (1 – 2 marks)

No context of **price changes/price influences**: Marks limited to 2 + 0 = 2

(d) Discuss what Pippa should do about the fall in motivation of managers and employees. **(10)**

Ideas could include:
- Keep employees informed
- Resolve disputes
- Re-examine options
- Involve managers/employees in discussions
- Include some motivators in the options e.g. pay packages for flexible working
- Discuss implementation with workers
- Improve management

ARA

Knowledge and Application	**Analysis & Evaluation**
Level 2: Shows understanding of motivation in the context of the business (3 – 4 marks)	Level 2: Evaluation of possible solutions in context (3 – 6 marks)
Level 1: Shows understanding of motivation (1 – 2 marks)	Level 1: Analysis of possible solutions (1 – 2 marks)

No context: max 2 + 2 = 4
Weak analysis in context: max 4 + 2 = 6
No evaluation: limit 4 + 4 = 8

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2 Enterprise Energy (EE)

(a) Explain the following terms:

(i) price discrimination **(3)**

Content: Setting different prices for differing markets e.g. off-peak train fares and peak fares.

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

(ii) the 4C's **(3)**

Content: Approach to marketing mix based/focussed on relationship with customers:
- customer solution
- cost to customer
- communication with customer
- convenience to customer

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

(b) (i) Using the information in Table 2, calculate the retained profit for EE at 30 April 2014. **(3)**

Retained profit = 300 - 170 - 85 - 20 - 10 $m = $15m

Correct answer (3 marks)
Attempt (no / wrong units) (1 – 2 marks)

(ii) Retained profit for the year ending 30 April 2013 was $10m. Comment on the trend in retained profit. **(3)**

- OFR applies to answer from (b) (i)
- Increased by $5m (50 %)
- Despite increased sales turnover costs have risen more.
- In particular dividends, which should be profit related, have increased 100 %.

ARA

Knowledge and Application
Level 2: Shows understanding of data (3 marks)
Level 1: Simple statements (1 – 2 marks)

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(c) Analyse the factors that EE needs to consider when deciding whether to relocate the call centre back to country. (8)

Content must be related to relocation of call centre/customer services department, not relocation of whole business.

- **Employment conditions**: Country Y is becoming a less favourable country but by how much? Employment was major reason for changing. What about employment regulation in country X? Country X is getting better but enough to tip the balance?
- **Cost of change**: There was a very high cost originally. Has this been recouped? Will it be a high cost to move back?
- **Customers**: There's some dis-satisfaction. Is this because of location? Will it change? Why did they move in first place?
- **Community/government**: Likely to be different views in X and Y. Are there incentives?

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of location decisions in context of the business (3 – 4 marks)	Level 2: Good analysis of factors in context (3 – 4 marks)
Level 1: Shows understanding of location decisions (1 – 2 marks)	Level 1: Analysis of factors (1 – 2 marks)

Good analysis of only ONE factor: max 3 + 3
Weak analysis in context max 4 + 2 = 6

(d) Discuss the extent to which EE is behaving unethically. (10)

Content:

Answers may vary from country to country – it depends on what is regarded as 'ethical'. There may be a big 'cross-over' with CSR. This should be judged on its merits but probably contains useful discussion.

Content may include:

UNETHICAL:
- High bonuses but refusing pay increases to workers
- Price discrimination (not unethical by nature, but could be used as such)
- Maintaining dividends despite falling profits in 2013
- Cutting off electric supplies to older people and other domestic customers who do not pay bills on time
- Cheap ways of producing electricity rather than environmentally friendly ways.
- Use of low wage/few employment regulations in country Y

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ETHICAL

- Supporting communities and the arts
- Focussing on customers (4 P's)
- Claims bonuses are not excessive

A good answer may take the issues raised and discuss the extent to which they involve 'ethics' or normal business practice.

Evaluation should focus on the extent to which EE is behaving ethically.

ARA

Knowledge and Application	**Analysis and Evaluation**
Level 2: Shows understanding of ethics in context of the business (3 – 4 marks)	Level 2: Evaluation of issues in context (3 – 6 marks)
Level 1: Shows knowledge of ethics (1 – 2 marks)	Level 1: limited analysis of ethical issues (1 – 2 marks)

One sided analysis limits marks to 4 + 4 = 8
No context: max 2 + 2 = 4
Weak analysis in context max 4 + 2 = 6
No evaluation: limit 4 + 4 = 8

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