CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the May/June 2015 series

9707 BUSINESS STUDIES

9707/21 Paper 2 (Data Response), maximum raw mark 60

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1 Best Books (BB)

(a) Explain the following terms:

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

1 mark – What the business is doing i.e. expansion
1 mark – How the business is doing it i.e. new shops, factories, hiring more workers etc.
1 mark – Some other way of demonstrating good understanding
(this may be by comparison with external growth as long as understanding has already been implicitly demonstrated of internal)

Content:

Expansion of a business by means of opening new factories, branches, shops etc.

Also known as organic growth.

Contrasts with mergers and takeovers.

Do not allow implicit understanding, i.e. internal growth is the opposite of external growth, must be explicit

(ii) Internal recruitment **[3]**

1 mark – What the business is doing i.e. promoting, changing job roles, hiring
1 mark – How the business is doing it i.e. from within the firm *(allow any reasonable definition of the word internal) or not using mergers takeovers etc.*
1 mark – Example/some other way of demonstrating good understanding

Content:

Appointing people to new or vacant positions in a business from the existing staff as opposed to from outside.

Can be cheaper and quicker.

Can limit the choice.

(b) Refer to Table 1

(i) Calculate the forecast current ratio <u>with</u> e-books **[3]**

Current assets = 10 + 10 + 10 = $30 million
Current liabilities = $30 million
CR = CA/CL = 30/30 = 1 or 1:1

Correct answer:	**3 marks**	*no need for working*
Good attempt :	**2 marks**	*i.e. attempt with correct use of figures*
Attempt:	**1 mark**	*i.e. formula and/or identification of current assets*

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(ii) Comment briefly on the difference between the liquidity forecasts, with and without e-books [3]

	Current ratio	Acid test
Without ebooks	2	0.57
With ebooks	1	0.67

Liquidity – the ability to meet short term obligations/debts.

Very significant fall to a level that might be considered too low.

However, main fall is due to inventories which is acceptable due to moving to e-books – non-physical.

ARA

Knowledge and Application
Level 2: Shows understanding of the difference between the liquidity forecasts in context of the business **(3 marks)**
Level 1: Shows knowledge/understanding of liquidity **(1–2 marks)**

No reference to the liquidity forecasts (or difference between them) limits marks to 2
No need to calculate Acid Test, but use is acceptable
Allow use of candidates own answer to b(i) OFR

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(c) Using Table 2, analyse factors that Ling should consider when choosing between George and Beryl as the new director to manage e-books [8]

- Experience
- Leadership style
- Cost/finance
- Potential
- Characteristics of the job
- Culture of the business
- Personal characteristics
- Current job

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

No context: Marks limited to 2 + 2 = 4
Weak analysis in context: Marks limited to 4 + 2 = 6
Analysis of only **ONE** factor in context: Marks limited to 3 + 3 = 6
No use of Table 2: Marks limited to 3 + 2 = 5

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(d) Recommend an appropriate marketing mix for the launch of BB's new e-books [10]

Marketing mix can be defined as 4Ps (or more if appropriate) or 4Cs

4 Ps	**4 Cs**
Product Price Promotion Place/Distribution	Customer solution Cost to customer Communication with customer Convenience to customer

Content:

Existing strategy built on quality and personal selling. Books not cheap but liked by students.

Price: Now there is more competition so price is more of an issue. Can compete on price because of lower costs and different pricing structure.

Product: can be even better, with overall quality remaining high. Need to determine market through research.

Promotion: no longer personal selling. With e-commerce much wider market and easier to target by means of internet. Can be directly marketed to parents/children rather than schools.

Place: Usual discussions of e-commerce. Use of internet retailers, availability of hardware to read ebooks.

For evaluation there needs to be a justified recommendation at least two elements of the mix.

Evaluation likely to come from prioritisation of elements and judgement based on good analysis.

Knowledge and Application	**Analysis and Evaluation**
Level 2: Shows understanding of marketing mix in context of the business **(3–4 marks)**	**Level 2**: Evaluation/recommendation of marketing mix in context **(3–6 marks)**
Level 1:Shows knowledge of marketing mix **(1–2 marks)**	**Level 1**: Limited analysis of one or more elements of the marketing mix **(1–2 marks)**

One element + recommendation: limits marks to 3 + 3 = 6
No context: max 2 + 2 = 4
Weak analysis in context max 4 + 2 = 6
No recommendation: limit 4 + 4 = 8

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2 Tangerine Tablets (TT)

(a) Explain the following terms:

(i) Market share **[3]**

1 mark – A proportion/percentage/part of an entire market
1 mark – A link to a business' sales/number of customer who purchase
1 mark – Example/some other way of demonstrating good understanding

Content:

A business's sales in the market, divided by total sales in the market

Can be measured by value or quantity

Can be difficult to identify the total market

Can be compared with competitors

Example

(ii) Efficiency **[3]**

1 mark – Limited understanding
2–3 marks – Good understanding

Content:

The relationship between inputs and outputs in a business process.

Businesses aim for high efficiency

Effectiveness is also importance.

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(b) (i) Assume TT invests in the new production line. Calculate the <u>new</u> closing balance for quarter 4, using table 3 and other relevant information [3]

Closing balance without production facility is $1200 m.

Additional costs in period = $500 m
Additional inflows = 3 × $200 m = $600 m

Net increase = $100 m.

Closing balance = $1200 m + $100 m = $1300 m

	Q1	Q2	Q3	Q4
Opening	200	*–200*	*200*	*700*
Cash In	500	*800*	*900*	*1000*
Cash out	*900*	400	400	400
Closing	*–200*	*200*	*700*	**1300**

Correct answer:	**3 marks**	*no need for working*
Good attempt :	**2 marks**	*i.e. attempt with correct use of figures*
Attempt:	**1 mark**	*i.e. formula or identification of correct figures*

(ii) Explain the usefulness to TT of cash flow forecasting [3]

A cash flow forecast predicts the amount and timing of the inflows and outflows of cash in a business. In the context of TT:

- Allows TT to see where there might be a negative closing balance – such as IN Q1 if the new production line is introduced
- Allows TT to seek suitable sources of finance – short term in this case as the balance is only forecast to be negative for one quarter.
- Allows TT to see when they may have surplus cash in the business, such as in Q4 where they have three times the cash required to pay the bills.
- Allows TT to identify what cash may be available for investment and when the most appropriate time may be for this investment. For example, if TT waited until Q3 they would have enough of a cash surplus to

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Knowledge and Application
Level 2: Shows understanding of the usefulness of cash flow forecasting in the context of the business **(3 marks)**
Level 1:Shows understanding of the usefulness of cash flow forecasting **(1–2 marks)**

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(c) Analyse the benefits to TT of setting business objectives for the short, medium and long-term [8]

- Sense of direction/focus/target
- Stakeholders know what to achieve/outcome
- Assessing success or failure/monitoring
- To receive investment
- Publicity/image
- May make it more likely that you achieve them – *this may then lead to analysis of the effects of achieving your objectives*

Short term: Usually considered to be less than a year.
Businesses need to respond to situations and issues as and when they arise. Taziq has identified an operational issue that can be easily resolved in the short term – inventory problems. These are issues that can be managed at departmental level as part of an overall plan to meet business objectives. Often tactical in nature. Without them the business would be unable to improve its operations.

Medium term: usually 1 to 5 years.
Businesses need to achieve their long term aims and strategic objectives in specific stages, often involving major projects. Medium term objectives enable them to achieve that. Without them the firm would not develop strategically.

Long term: usually more than 5 years.
Most businesses have long term objectives, often in the form of mission statements. They give a sense of overall purpose and give a framework for more detailed strategic and operational objectives. Without them the business would not have an overall sense of purpose.

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

No context: Marks limited to 2 + 2 = 4
Weak analysis in context: Marks limited to 4 + 2 = 6
Analysis of only 1 benefit in context: Marks limited to 3 + 3 = 6

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(d) Using Table 4, recommend improvements to TT's inventory control. Justify your answer [10]

CANDIDATES MUST USE TABLE 4 to gain context and evaluation marks.

Present method does not recognise changes to the market/demand. It is always going to mean too much/too little inventory for products with unpredictable demand (small screen tablets and specialist tablets).

One possibility is JIT. Tablets for schools might benefit from this system since demand is predictable, it is cheap and easy to meet an increase in demand.
JIT would not, however be suitable for high specification tablets since not only is demand unpredictable, it is also not possible to increase production quickly and easily. It would be necessary to have a high buffer stock. However, since these tablets are expensive, the higher the inventory, the higher the working capital, so it would be worth trying to find an optimum inventory level.

Buffer stocks would also be appropriate for small screen tablets, but these could be smaller as changes in demand can be easily met.

For high evaluation marks there must be a recommendation.

Candidates may recommend ways in which TT can manage demand more effectively as a way of controlling inventory – allow this as long as there is a link to inventory, not just a marketing answer.

ARA

Knowledge and Application	**Analysis and Evaluation**
Level 2: Shows understanding of inventory control in the context of the business **(3–4 marks)**	**Level 2**: Evaluation/recommendation of method in context **(3–6 marks)**
Level 1:Shows understanding of inventory control **(1–2 marks)**	**Level 1**: Limited analysis of methods **(1–2 marks)**

Unbalanced analysis + recommendation: limits marks to 3 + 3 = 6
No context: max 2 + 2 = 4
Weak analysis in context max 4 + 2 = 6
No recommendation: limit 4 + 4 = 8

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