UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

9707 BUSINESS STUDIES

9707/12 Paper 1 (Short Answer/Essay), maximum raw mark 40

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UNIVERSITY of CAMBRIDGE
International Examinations

Section A

1 (a) A definition could refer to an attempt to find the best or most effective way of using labour, machines, and materials – the work of F.W. Taylor – the use made of 2 techniques (a) method study and (b) work measurement, i.e. (a) analysing all specific activities in a job and finding the best way to do that job and (b) observing the worker.

- Partial understanding indicated. (1)
- Full understanding indicated. (2)

(b) The explanation could build on a generic definition, such as seeking to find the most efficient method of production in terms of time and effort – a 'best' method of operation – making full use of resources available and:

– suggest process improvement
– identify redundant activities
– benchmark against more efficient models
– identify barriers to productivity
– improve time management

This is to some extent open-ended – general or specific examples of how work study results can be used to improve productivity are acceptable.

- Attempt made to explain how the results of work study might identify change possibility. (1)
- One specific, relevant suggestion to improve productivity with limited explanation. (2)
- One specific, relevant suggestion to improve productivity with developed explanation. (3)

2 (a) Definition could refer to the mix of elements that make up a marketing package – generally considered to have 4 major parts – (4 Ps) – price, product, promotion and place – elements of a company marketing strategy designed to satisfy customers – right product at right price, at right place – with appropriate promotion.

- Partial definition given. (1)
- Full definition given. (2)

(b) Explanation might refer to Place as one element of a business marketing strategy. This refers to the means by which a product will be distributed to the consumer. The product must get to the right place at the right time. This means making decisions about the way in which a product is physically distributed – (air, sea, rail, road). It also means deciding how the product is sold – Internet – direct mail, retail outlets – channels of distribution – and availability.

- Limited explanation of 'place'. (1)
- Full explanation of 'place'. (2)
- Full explanation of 'place' in the marketing mix with explicit/implicit reference to its role in the marketing mix. (3)

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3 Explanation could refer to profit maximisation being a prime objective of a business – it supports growth, investment, stakeholder satisfaction – shareholders are a key stakeholder driving the share price and confidence in the business. Answers might well also recognise that profit maximisation is not always the only or most important objective of a business. E.g. for a small business market share is more important – survival in a highly competitive market. Some answers might focus on the specifics of profit maximisation (e.g. pricing policy, profit calculations).

- Some attempt made to discuss the issue of profit maximisation. (1)
- General discussion of profit maximisation in a business – role and result. (2–3)
- Sound explanation of the importance of profit maximisation for a business (possibly with some reference to alternative objectives). (4–5)

4 **(a)** Sources of finance that might well be given include retained profit, overdraft, debt factoring, short-term loans, increasing creditor days, decreasing debtor days, sale of assets, sale of shares, etc.

- One relevant source of finance stated. (1)
- Two relevant sources of finance stated. (2)

(b) Distinction will make clear that revenue expenditure is the expenditure on everyday running expenses, e.g. rent, wages – spending on business resources consumed in the short term and shown in a profit and loss account. Capital expenditure is spending on items used over and over again – machines/factories and show in the balance sheet – fixed assets.

- Accurate definition of only one of the concepts. (1)
- Limited distinction made between the two concepts. (2)
- Clear and accurate distinction made between the two concepts. (3)

Section B

5 **(a)** Explanation will make clear the difference – Batch production – a single product made in batches to individual specification without a continuous flow production process – e.g. the production process divided into a number of different operations and such operations carried out on all products in a batch – the batch then moves on to the next operation – products can be produced in large or small batches – allows flexibility to customer needs – uses more standardised machinery than job production – allows employees to concentrate on one specific operation at a time – requires careful planning and co-ordination – time required to set up and start up machinery – unit costs can be high if batches are small – money tied up in work in progress. Flow production – mass production of identical standardised products – continuous sequence of a range of different operations – large quantities produced – semi-skilled workforce required – unit costs reduced – high level of automation so set-up costs high – impact on worker motivation-costs of flow interruptions.

- Analysis of the two production methods with clear distinction made. (7–8)
- Good explanation of the two production methods with an attempt to explain the differences. (5–6)
- Limited explanation of the two methods of production. (3–4)
- Little understanding of methods of production. (1–2)

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(b) The discussion will likely build on the definition given in section (a) and unpack the operational characteristics of the two methods of production, e.g. the move to flow production for products implies:
- more machines/technology required (cost implications)
- impact on ability to meet customers' needs in terms of more standardised products – less flexibility (presumably the decision to change has taken this into account)
- implications for raw material stock (larger stock required?)
- opportunity to achieve more consistent quality standards
- reduce unit costs
- redundancy implications
- impact on worker morale – repetitive work
- so a range of issues and implications to be considered and managed. The extent and type of these very much depend on the nature of the products, the position of the business in terms of existing levels of automation – the industrial relations situation – capacity and competency of the business – contextual variables.

- Evaluative reference to the contextual situation of any business embarking on this change to flow production. (11–12)
- Analysis of a range of identified implications for this change to flow production. (8–10)
- Shows understanding of the likely implications of a change to flow production. (3–7)
- Little understanding of flow production change requirements. (1–2)

6 The discussion might well focus initially on unpacking or describing the component parts of company accounts such as P and L and Balance Sheets.
Given this outline, the discussion could then identify a number of measures that are considered to be relevant for assessing business success, i.e. performance indicators (quantitative) such as net profit margin – level of sales – stock levels – long term liabilities – value of assets – level of debtors. Some analysis of the value of these indicators might be given, together with a recognition of the limitations of purely quantitative indicators set out in published accounts – i.e. numbers may be imperfect or incomplete, trends not shown and such factors or reputation, market share and health of the organisation culture are outside the remit of the accounts.

- Evaluative reference to usefulness and/or meaning of success added to sound analysis of appropriate financial indicators. (17–20)
- Analysis of a range of relevant financial indicators with published accounts, with some attempt to consider usefulness (at higher end of level). (14–16)
- Shows good understanding of financial indicators of business success within published accounts. (11–13)
- Some understanding of financial indicators in published accounts. (5–10)
- Limited understanding of published accounts. (1–4)

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7 (a) Explanation could initially define the concept of job enrichment – giving employees greater responsibility and recognition – extending their role – coming out of Theory Y expectations of McGregor – the vertical extension of a job – (e.g. responsibility for planning a task, quality control activity – work supervision).
Benefits for the individual worker include vote of confidence in worker so esteem needs met – developing potential/undeveloped skills – more varied tasks – possibility of promotion. Reference may also be made to the downside of such initiatives – employees may not respond – union concerns – more likely to be successful in admin/technical positions than in, say, factory work – depends on the context.

- Analysis of relevant benefits that might result from job enrichment. (7–8)
- Good explanation of relevant benefits. (5–6)
- Limited explanation of relevant benefits. (3–4)
- Little understanding of job enrichment and/or benefits. (1–2)

(b) Discussion might well initially define the concept of delegation – passing down certain power and authority to subordinates – the dispersal of authority – perhaps mention of the key principles of delegation – responsibility – authority and accountability.
Arguments for might refer to:
– opportunity to empower and motivate workers
– reduce stress and pressure on more senior managers
– free up time for more senior managers to concentrate on more important tasks
– subordinates better informed about operations
– greater flexibility and quicker response to change situations
– grooms middle and junior levels for promotion
Arguments against might refer to:
– fear of and actual loss of control by those who delegate
– potential loss of strategic direction and coordination
– less skilful/expert decision makers
– workers unwilling to accept delegated power and authority
– managers unwilling/unable to delegate
Balance of advantage very much depends on the context – the readiness of the organisation and the employees for a system of delegation and the quality of the delegation made.

- Some evaluative comment re the balance between advantages and disadvantages – i.e. contextual issues. (11–12)
- Analysis of a relevant range of advantages and disadvantages of delegation. (8–10)
- Shows good understanding of a relevant range of advantages and disadvantages of delegation. (3–7)
- Shows little understanding of delegation. (1–2)

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