**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

**9707/13** Paper 1 (Short Answer/Essay), maximum raw mark 40

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UNIVERSITY of CAMBRIDGE
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## Section A

**1 (a)** Distinction to be made using two clear definitions:
Mean is arithmetic average – a simple measure of location. The total of a list of items ÷ the number of items in the list – easy to calculate – easy to understand – subject to skewness or influenced by exceptional variables.
Mode is the most commonly occurring value in a data set or probability distribution.

- Partial definition of the TWO concepts or full definition of ONE. (1)
- Full definition of the TWO concepts. (2)

**(b)** Mode is a particular way of capturing important information about a variable or a population – important for anyone selling goods that need to be different for different people – e.g. how many size 12 dresses or red cars are sold – if a sandwich shop sells 10 types of sandwiches, the mode would represent the most popular sandwich – useful information in terms of production, sales, marketing, supplies etc.

- Limited description of the mode in a business context. (1)
- Limited description of a relevant business example of the use of the mode. (2)
- Full description of a relevant business example of the use of the mode. (3)

**2 (a)** Definition could refer to QA as a system designed to ensure customer satisfaction by guaranteeing and ensuring quality standards are met – to stop problems developing rather then detecting them – a philosophy of quality enforcement throughout an organisation.

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

**(b)** Explanation could refer to some specific quality initiatives and processes that seek to guarantee quality assured in the production/distribution process, e.g.:
– Quality Circles – workers meeting together to review ways of improving quality standard/ achievement.
– Kaizen – a process and philosophy of the search for 'continuous improvement' and 'getting it right the first time'.
– Total Quality Management – the establishment of a quality culture within an organisation – where all staff take responsibility at all stages of the production process. Effective and well-maintained equipment and quality materials.

- Limited explanation of ONE way QA might be achieved. (1)
- Sound explanation of ONE way or partial explanation of TWO ways. (2)
- Sound explanation of TWO ways to achieve quality assurance. (3)

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**3** Explanations will probably identify a number of key legislative measures that affects business operations in any country – and then apply them to the context of a specific country.
Examples of legislative measures:
– conditions of employment
– rights of consumers
– competitive behaviour
– Health and Safety
– ethical considerations.
Reward specific examples within these broad categories.

- Stated or listed legislative measures. (1)
- Some explanation of legislative measures that might affect business operations. (2–3)
- Full explanation of legislative measures that might affect business operations. (4)
- Full explanation of legislative measures that might affect business operations in a country context. (5)

**4** **(a)** Formula to be selected from:

– Current ratio (working capital ratio) = $\frac{\text{current assets}}{\text{current liabilities}}$

– Acid test ratio = $\frac{\text{current assets} - \text{stock}}{\text{current liabilities}}$

– Debtors' collection period = $\frac{\text{debtors}}{\text{sales}} \times 365$ debtor days

– Creditors' collection period = $\frac{\text{creditors}}{\text{purchases}} \times 365$ creditor days

- States the name of a liquidity ratio (without a formula or wrong formula). (1)
- States the name of a liquidity ratio and gives the correct formula. (2)

**(b)** There are many factors that might affect profitability of a business – may depend on the nature of the product portfolio – the context of the position and location of a business – levels of competition etc.
Accept any logical and accurate examples of factors that might affect business profitability – internal and external – micro and macro – e.g.: costs of business change, demand for product changes, competition increases, marketing/advertising fails, quality of product declines – taxation increases, recession bites – morale of workers dips, products tired and uncompetitive etc.

- Limited explanation of ONE factor affecting business profitability. (1)
- Sound explanation of ONE factor or partial explanation of TWO factors affecting business profitability. (2)
- Sound explanation of TWO factors affecting business profitability. (3)

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## Section B

**5 (a)** Explanations could focus on the assumptions made by Theory X and Theory Y managers as to how workers view work – the contrast between workers who don't like working need to be told what to do, can't be trusted etc and those who enjoy work will work independently and are trustworthy. How managers respond to these different workers.

- An analysis of the difference, with explicit reference to the PRACTICE of management influenced by Theory X and Theory Y assumptions. (7–8)
- Good explanation of Theory X and Theory Y. (5–6)
- Limited explanation of Theory X and Theory Y. (3–4)
- Little understanding of Theory X and/or Theory Y. (1–2)

**(b)** Answers could initially define delegation – pass down certain duties/powers to subordinate colleagues with resulting benefits to giver and receiver. Value to manager is more time to focus on more demanding tasks – reduces stress – for the worker it might mean empowerment, job satisfaction and enhanced motivation. Some answers might address the assumption of successful delegation.

- Attempt at evaluative comment relating, say, to 'successful' delegation, e.g. comment relating to possibility of successful delegation becoming less successful or to difficulties/ problems of securing benefits. (11–12)
- Analysis of the benefits of delegation for managers and workers. (8–10)
- Shows good understanding of delegation for managers and/or workers. (3–7)
- Shows limited understanding of delegation. (1–2)

**6** Discussion might include an initial definition of market research – information collected to satisfy customer needs – to determine consumer wants and needs – the collection and analysis of data relating to the marketing and consumption of goods and services – the collection of information about what consumers want and are prepared to pay for – applied to a car manufacturer – (e.g. coffee cup holders in a car, satnav systems) – information that will inform decisions in production and promotion.
Benefits could refer to the value for decision-makers – more informed decisions – faster and more sensitive decisions related to market situation – reduce risk to producers as a new car is planned or launched – stop waste of resources – reduce the number of failed product innovations – establish strong links with customers – give more precise information on market segments – good for PR and image projection – establish and maintain brand loyalty.

Limitations – data not always reliable – high percentage of all new products still fail – difficult to assess the value of market research, which may well be expensive – poor methods might be used – primary research samples may be biased – customer behaviour is unpredictable – secondary data may not be particularly relevant. Any focus on the specific methods and techniques of market research should be contextualised, with obvious reference to a car manufacturer.

- Evaluative comment that analyses benefits and limitations of market research and has an explicit reference to a car manufacturer. (17–20)
- Analysis of benefits and limitations of market research activity with possibly some reference to the context of a car manufacturer at the upper end of this level. (14–16)
- Good understanding of the benefits and limitations of market research. (11–13)
- Some understanding of the benefits/limitations of market research. (5–10)
- Shows limited awareness of market research activity. (0–4)

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**7 (a)** Discussion to include a review of the necessity and importance of effective stock management – reference to the benefits – the minimisation of stockholding costs – the reduction of spoilage etc, the opportunity cost of poor management – the achievement of business objectives – the satisfaction of customer demands – the establishment and maintenance of business reputation. – Examples of particular business might be given, e.g. the importance and necessity for a retailer – danger of empty shelves, obsolescent stock, inability to support marketing and advertising claims.

- Some evaluative comment on the value of effective stock management and the cost of non-effective stock management – an organisational necessity if significant objectives are to be achieved. (11–12)
- Analysis of the notion of effective stock management and its impact on organisational performance. (8–10)
- Shows understanding of why effective and non-effective stock management have an impact on organisational performance. (3–7)
- Limited understanding of stock management. (1–2)

**(b)** Explanation to define JIT initially– a manufacturing organisation philosophy decreasing waste by supplying parts only when they are required in an assembly process – now applied to a range of production and distribution processes.
Retail has made particular use of JIT (e.g. Tesco) as the supply chain is vital for the success of the retail business – vital that products are distributed and supplied at right time – efficient management of re-order lead time is vital – JIT has developed with IT developments into continuous product replenishment (CPR) and Vendor-managed inventories – so variations on the JIT approach at the heart of efficient retail stock management.

- Analysis of JIT and its relevance for effective stock management, with some reference to retail business. (7–8)
- Good explanation of JIT and its application to effective stock management. (5–6)
- Limited explanation of JIT and its application to effective stock management. (3–4)
- Little understanding of JIT. (1–2)

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